

The University of Chicago

GREAT BRITAIN AND CHILE, 1810-1914

A CHAPTER IN THE EXPANSION OF EUROPE

A PART OF A DISSERTATION SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE
SOCIAL SCIENCES IN CANDIDACY FOR THE
DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF HISTORY

MARCH, 1941

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CHARLES WILLIAM CENTNER, JR.

CHICAGO, ILLINOIS

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Territorial aggrandizement, particularly after 1875, has received the primary attention of historians of British nineteenth century expansion; yet the vast export of goods and migration of capital to foreign countries during the period represented a development of perhaps equal significance. The years from 1840 to 1872, which witnessed the heyday of British anti-colonialism, were characterized by unprecedented economic penetration into the lesser developed areas of the world. In the subsequent decades prior to the World War this movement was further accelerated--despite some emphasis on imperial economic interdependence. Indeed, the struggle for concessions, markets, and the carrying trade among the principal powers probably constituted the dominant subject of world history at that time.

The effects of this great expansion of British economic interests abroad upon the development of Latin American countries have been almost entirely neglected by historians of European imperialism; and this situation exists despite the fact that Latin America has played a highly significant part in the world's economic development since at least 1880.

Among the lower South American countries--all of which, with the exception of Paraguay, have been important in international commerce particularly during the last half-century--Chile presents certain advantages as a field for investigation of the operations of British economic imperialism. The country has been the principal exporter of natural nitrates and one of the great producers of copper, and as a result the significance of the country has been much greater than its area or the size of its population would lead one to assume. Its economic life has been poorly balanced and dependent to a large degree upon foreign capital and supplies for development. Since 1830 it has enjoyed greater political stability than almost any other Latin American country,

although there have been occasional domestic upheavals and foreign wars; thus relatively satisfactory conditions for the importation of foreign capital and goods were present in the nineteenth century. Finally, remoteness from Europe has meant that seldom have primarily strategic questions provided subjects for diplomatic friction between it and the large powers--and this fact is true despite Chilean possession of the Straits of Magellan.

The Period of Revolution

Relaxation of Spanish control in the region of Chile began to be apparent in July, 1810, when the Governor, Francisco Antonio García Carrasco, resigned and in September of the same year when his successor likewise withdrew from office. For two decades thereafter the country's history was marked by civil strife and foreign war. In October, 1814, patriot forces were defeated in battle at Rancagua and a Spanish commander, Mariano Osorio, seized the capital. The royalist regime lasted until 1817, in which year General José de San Martín, the great South American liberator, entered the country with an army from Argentina and decisively defeated the Spaniards. By the end of 1826 the last Spanish troops had been driven from the country. Political discord and actual strife, however, marked much of the period of the 1820's; indeed, after 1826 virtual anarchy existed until April, 1830, when conservative groups won a decisive military victory and gained control of the government. With this event a new period in Chilean history was initiated.

During these years close economic ties between Great Britain and Chile were forged, although the former had been an important supplier of Chilean imports in the later colonial period--largely through surreptitious channels.

The United Kingdom was in a relatively favorable position to undertake an economic offensive in Latin America and Chile, specifically, after 1815. The struggle against revolutionary and Napoleonic France had been marked by great industrial expansion in the country; British technology was the most efficient in the world. Apart from these considerations, an additional reason for economic interest in Latin America was a general decline in total British exports from £41,717,000 in 1801 to £37,000,000 in 1822. Because of considerable accumulations of capital British financiers

also became interested in Latin America as a field for profitable investment.

British Interest in Chilean Mining

In the hundred-year period 1810-1910 it has been estimated that the value of the copper production of Chilean mines totaled \$664,292,000; that of silver, \$298,695,000; that of coal, \$114,516,000; and that of gold, \$68,084,000. During the century mining was first among the industries of the country in both value of products and quantity of foreign capital invested. In its development British capital played a part of ever-increasing significance from the beginning of the independence movement.

In 1818 John Miers, an engineer, left England to undertake the exploitation of Chilean copper. In Chile he invested a large fortune without success. His memoirs, published in 1826, are the record of his disillusionment, for he warned British investors that capital put into Chilean mining speculations was almost invariably unproductive. About the same time other Englishmen, among them Joshua Waddington, John Sewell, Captain Francis Head, later Governor of Canada, Captain Joseph Andrews, and Alexander Caldcleugh, became actively engaged in the investigation of Chilean mineral production possibilities.

Such British activity in developing Chilean mines was part of a broader speculative mania which reached its maximum activity late in 1824 and 1825. By then the deflation of values incident to the post-war depression had run its course and business activity was fairly well stabilized with good prospects for the future. Moreover, general price levels were rising. The belief was encouraged in investors' circles that the formation of joint-stock companies offered the best means for the rapid expansion of industry and wealth. During the two-year period prospectuses were issued calling for a total capital of £150,000,000. Twenty-four companies were organized to exploit American mines, four of them Chilean. The Anglo-Chilian Mining Association was formed under the aegis of Mariano de Egaña, the Chilean official representative in England, in January, 1825, with a capital of £1,500,000 in fifteen thousand shares "for working gold, silver, copper, tin and other mines in Chile." The Chilian Mining Associ-

ation organized at the same time with a capital of £1,000,000 in ten thousand shares also received the support of Egaña. Its prospectus stated that Chilean mines "now from various causes in an unproductive state, offer adequate inducement to the employment of British capital, skill, and machinery," and in fact a considerable number of miners were sent out to carry on its operations. The Chilean and Peruvian Mining Association was established to work Chilean copper mines, to build smelting establishments in Coquimbo, Guasco, and Copiapó, and to exploit gold and silver mines in both Chile and Peru. The board of directors included many influential Englishmen. Forty Welsh and Cornish miners and engineers were dispatched to Chile and Peru. A fourth company, the United Chilean Association, was established in June, 1825, under Lord Teynham with an authorized capitalization of £500,000 in ten thousand shares. Mining development in Coquimbo, in particular, was contemplated by this company. By the time of the formation of the Chilean and Peruvian Mining Association, however, the high point of British interest in Chilean, as well as in other South American, mines during the decade had passed. Late in February, 1825, the values of certain of the stocks had begun to decline and by June there was a rapid fall. A general loss of almost all funds subscribed resulted except for a small fraction paid back as dividends. The principal consequence of this speculative frenzy was that British investors for more than three decades showed marked unwillingness to invest capital in Chilean mines. The economic development of Chile was seriously retarded as a result.

The Carrying Trade and Commerce

British shipping interests largely dominated the Chilean carrying trade. The number of vessels which sailed from Great Britain for Chile during the fourteen-year period 1820-1834 increased from four to twenty-eight, annually. There was a steady increase in ship-clearances during the first six years of the period except for 1823. Vessels departing for Chile considerably exceeded in number those sailing for Peru and were approximately equal to those proceeding to ports in Mexico. In 1825 twenty-three ships sailed with a total tonnage of 4,556 tons; in 1828 twenty-six vessels with a tonnage of 5,508 tons--a high-point

until 1824. Those figures, however, do not indicate the full extent of British participation in Chilean maritime movements. An American special agent, Jeremy Robinson, reported in October, 1820, that eighty British vessels were engaged in the whale fisheries of the Pacific and more than fifty British merchantmen were trading upon the western South American coast. In February, 1823, he estimated one hundred British merchant vessels to be in the Pacific as well as a large fleet of whalers and sealers.

Throughout the period of the movement for independence Chile was dependent upon the United Kingdom for ordinary goods as well as for many military supplies. In May, 1824, Heman Allen, a special agent of the United States Government, reported from Valparaíso that Chilean markets were "inundated with British goods, and the precious metals of the country....almost exclusively devoted to that trade." Seven years before (October, 1818) W. G. D. Worthington, also an American special agent, had observed that British goods were flowing into the country in great quantity and that there was already a plethora. In 1821 it was reliably estimated that British commerce with Chile had a total value of one million pounds sterling annually but that not more than three-tenths of the goods were consumed in Chile, the remainder being reexported. In certain years about one-fifth of total British exports to Central and South America were sent to Chile. The significance of this fact lies more in the importance of Valparaíso and other Chilean ports as West Coast emporia and entrepôts than in relatively great Chilean consumption of British goods.

Cotton goods formed the preponderant item in this commerce. In 1828 Chile imported almost four per cent (13,206,412 yards) of all British exported cotton manufactures entered by the yard in British official trade statistics (363,328,431 yards). British exports of this product to Chile exceeded the quantity shipped to either Russia, Scandinavia, or Turkey and Continental Greece. By 1823 Chilean and other South American markets had become of great importance to the Lancashire cotton industry. The Manchester Chamber of Commerce because of the magnitude of the trade and the quantity of capital involved was one of the most pronounced advocates of the Government's appointment of consuls in the chief commercial towns of Chile. Six years later this organization pre-

sented a memorial to Lord Aberdeen, Secretary of State for Foreign Affairs, urging that the British Government in the interest of trade offer its good offices to the Court of Spain to eliminate all pretext for continued hostilities with Peru, Chile, and other Latin American states. Approximately one per cent of all British exports of wrought and unwrought iron and steel, linen manufactures, saddlery, hardware, cutlery, and earthenware were shipped to Chile in the decade preceding 1830.

The primacy of Great Britain as a source of imports during the two decades 1810-1830 was in no sense a situation peculiar to Chile; rather it reflected the preeminent importance of the United Kingdom in all South American economy. British trade with Chile was less important than that with Brazil or Argentina, for as early as 1810 British goods shipped to Argentina had been valued at £2,210,000, and in the 1830's that country took more British imports than did Spain itself. Nevertheless, in one respect British commerce with Chile differed radically from that with Argentina and the Banda Oriental. The relative importance of exports to Chile in comparison with imports from it was much greater in the late 1820's than in the case of either other region. The Banda exported quantities of hides, jerked beef, tallow, horns, and hair; Argentina's exports in addition to these items included salt, coffee, dried fruits, tobacco, and flax. Chile's exports to the United Kingdom, on the other hand, were relatively unimportant and consisted of copper, Jesuit's bark (quinine), and nutria furs, seldom exceeding in value one twenty-fifth of its imports to Great Britain.

The Extent of Political Support of Economic Interests

Although British economic interests in Chile were thus considerable by 1830, the British Government had made few direct contributions to achieving that result. Capital available for export, mercantile houses, resident agents, cheapness and superiority of textiles, primacy in the world's carrying trade, and superior technology were among the factors responsible for the strength of the British position. In a negative way only did the British Government influence the development of British commercial relations with Chile prior to 1824: maritime rights were usually

protected. A blockade of Valparaiso by a Spanish squadron in January, 1818, was not recognized by the British naval representatives. British and American traders who had purchased a vessel of the East India Co., renamed the "Lautaro," in cooperation with the Chilean Navy engaged the Spanish squadron in battle and succeeded in bringing about a cessation of the blockade. Nor was this outcome due fundamentally to British naval assistance. A blockade of Peru between Iquique and Guayaquil enforced by the commander of the Chilean squadron Lord Cochrane was eventually abandoned partly because of the repeated protests of Commander Thomas Hardy of the British fleet in South American waters. These two developments indicate, however, no particular official concern for British economic interests in Chile.

The reluctance and delay which preceded the British Government's decision to dispatch consular representatives to Chile is further evidence of this fact. As early as June, 1818, a British naval officer, Commodore William Bowles, advised the Admiralty that the quantity of British trade with Chile made very desirable the appointment of a commercial agent to that country. Suggestions of this type grew more frequent as time passed. In April, 1822, meetings were held by London merchants for the purpose of "maintaining" commercial intercourse with the Spanish American nation, and Liverpool shipowners and merchants petitioned for recognition of the independence of those nations. Not until 1823, however, was Canning, supported by such evidences of public support, able to carry through a reluctant cabinet a project for the appointment of commercial agents to the South American republics. On 10 October he appointed Christopher Nugent Consul General to Chile.

British reactions to Chilean attempts to obtain recognition during the first two decades of independence support these conclusions. In April, 1817, José Antonio Álvarez Condarco, an army engineer, was sent to Great Britain ostensibly to purchase naval equipment but probably also to request British extension of a form of "tacit recognition" with the understanding that commercial privileges would be granted in return. Although he succeeded in purchasing armaments for his country, Álvarez Condarco was given no encouragement by the British Government in regard to recognition. Later, between 1819 and 1823, Chile was represented in

London by Antonio José de Irisarri, a Guatemalan well acquainted with European political conditions. His instructions stated that should circumstances warrant he should propose the abolition of all duties on exports to Great Britain, a lowering of taxes on imports, the granting of a twelve-year monopoly of the production and exportation of Chilean hemp and flax, and the cession of certain islands off the Chilean coast, among them Juan Fernández. Moreover, no attempt would be made to avoid a monarchical solution on a constitutional basis for Chilean political problems. Despite these advantages offered to the British Government, Castlereagh, the Foreign Secretary, refused to receive Irisarri as Minister Plenipotentiary. The British attitude was based almost entirely upon political considerations. So long as Britain was the friend of Spain, she would be unable to recognize the independence of Spain's colonies. Although the British Government acknowledged that the Santiago Government was in de facto control of the country (1819) and that this situation constituted preliminary evidence of competent authority, that extensive mercantile transactions were carried on, and that Chile was making strenuous military and naval efforts, it refrained from granting formal recognition despite considerations of economic interest. In 1824 the British Cabinet decided to recognize Argentina, Colombia, and Mexico, and in January, 1825, this intention was notified to the powers. Reasons for not including Chile in the category of states recognized were several. On 24 November, 1823, Canning, who had followed Castlereagh as Foreign Secretary, informed representatives in London of the Neo-Holy Alliance that he thought "republican principles" had taken too deep root in Buenos Aires and Colombia, but that there was yet time to strengthen monarchical and aristocratic principles in Peru, Mexico, and Chile. Although almost all Spanish troops had been driven from Chilean soil, Canning knew that Spanish authorities and soldiers yet remained on the Island of Chiloé. Apart from the fact that the type of government in Chile was not completely acceptable, there was evidence of much instability and many changes of regime. This point was fundamental, for Canning was willing to recognize a republican government only if convinced of its stability. The position thus taken by the British Foreign Secretary ran the gauntlet of not inconsiderable Parliamentary opposition.

Mariano de Egaña, Irisarri's successor, tried repeatedly to secure British recognition of his country. In January, 1825, his request for a public reception in London was refused. In May of that year Canning reiterated recent British policy explaining that more time was required to learn what form of government would prevail in the country and that Chile did not yet seem to be stably organized.

Chilean officials, however, continued for some time to believe in the likelihood of early recognition. They condoned and even explained away the British attitude. The Supreme Director in an address on the occasion of the installation of the National Congress on 4 July, 1826, declared that the circumspect attitude of the British Government toward Chile was in the greater part the product of the "spirit of detraction" of prejudiced foreign writers or of sinister reports based upon events of negligible significance. Within the subsequent year, however, the Chilean official attitude toward the British Government, underwent a change and late in 1827 Egaña was recalled because the British Government, it was explained, had steadily refused to recognize the independence of Chile but had not hesitated to admit that of certain other countries of the continent. A consul general who subsequently represented the Chilean Government in the British capital was issued an exequatur, but it was clear that no recognition of Chile was involved. The interpretation made in official quarters in Santiago was that the British refusal in 1828 to receive José Miguel de la Barra as from a legally constituted state was the product of the suspension of payments on a British loan of 1822, which took place in 1826. Not until 1839 was Chile recognized by the signature of an Anglo-Chilean treaty for the suppression of any trading in slaves in which Chilean nationals might be engaged.

The impartial student of Chilean political history in the 1820's, of the struggles between the Pipiolas, or liberals, and the Pelucones, or conservatives, which culminated in the bloody battle of Lircay on 17 April, 1830, cannot but conclude that the refusal of the British Government to recognize Chile at that time was justified by developments. The British attitude toward Chilean recognition had throughout been based upon political considera-

tions and as a whole had been against British economic interests. Nevertheless, so small was foreign economic competition that it is probable that no serious losses were suffered or advantages left unsecured as a result of British policy. Indeed in 1824 an American consul general in Argentina observed that Great Britain derived from Argentina and from Chile "all the advantages of colonial dependence, without the responsibility or expense of civil or military administration."

It must be observed, however, that British contributions to Chilean independence were considerable. The British Government did not seriously attempt to check the flow of soldiers, sailors, and supplies to Chile despite a proclamation of the Prince Regent on 17 November, 1817, which prohibited British subjects from participating in Latin American military operations. Chilean independence not only was supported by the mass of the British public on grounds of ideological affinity but also presented clear advantages for British commerce. That such British assistance was of great military and naval significance is shown by the fact that in a list prepared by a Chilean naval historian, Antonio García Reyes, of twenty-one officers of the Chilean Navy who held the rank of captain or above prior to January, 1823, seventeen were Englishmen. Exploits of Lord Cochrane, a British naval officer in the wars against France, were of incalculable significance to Chile in its victory over Spain. Moreover, naval and military equipment in some quantity was dispatched to Chile from the United Kingdom during the revolution.

The Period of Independence

Between the battle of Lircay (1830) and the World War Chile underwent a profound economic transformation; to it British investors and traders contributed in no small degree. The development of their economic interests is a class-case in the supremacy of laissez-faire in British nineteenth century economic expansion.

British Investments in Chile

At the beginning of the World War British investments overseas aggregated well over £4,000,000,000. As early as 1885

probably £1,320,000,000 were invested abroad. By 1900 approximately £2,000,000,000 were so invested; seven years later this figure was approximately fifty per cent greater. At the end of December, 1909, not less than £766,647,023 of British capital were invested in Latin America. Of this amount £343,318,713 were placed in railroads, £289,026,320 in national and municipal governmental bonds, and £18,171,456 in banks and shipping companies. In February, 1914, British investments in Europe were twenty-eight per cent of those in South America. At the beginning of 1909, 5.7 per cent of British Latin American investments were in Chile, of which 46.3 per cent were placed in governmental bonds--as contrasted with a figure of 37.7 per cent for all British Latin American investments. Of British investments in Latin America, 44.8 per cent were in railroads; the proportion of British capital in Chilean railroads at that time was lower--only 34.2 per cent. Nitrate and miscellaneous investments accounted for the remaining 19.9 per cent of British capital in the country. The total value of British capital publicly invested in Chile quoted on the London Stock Exchange was £44,048,405 in January, 1909, and £63,938,237 in 1913.

Government loans.--During the period 1822-1900 Chile floated loans in London totaling £31,307,920. Of twenty-two foreign loans contracted prior to 1900 only two were not primarily British; indeed, only one Chilean external loan in the nineteenth century was floated through a non-British agency--that of 1889 through the Deutsche Bank. The bonds, however, were offered in both Berlin and London, most of them being purchased by German investors. The other loan was floated by the City Bank of London, the Deutsche Bank, and the Credit Lyonnais in May, 1893, to make possible redemption of paper currency. It cannot therefore be considered primarily a British flotation. From 1900 until the outbreak of the World War seven more loans were made abroad, bonds of which were subscribed to in quantity by Continental as well as by British investors. Thus the most characteristic aspect of Chilean external financial history during the nineteenth century was the Chilean Government's almost complete dependence upon British capital. This situation was rather representative of the foreign borrowing of almost all Latin American countries in the nineteenth century; indeed, one may conclude that Chilean dependence upon

British capital for its external loans was a typical aspect of British financial preeminence in the nineteenth century.

The character of the transactions well illustrates British laissez-faire policy. Irisarri on 18 May, 1822, during his London mission, succeeded in securing a loan of £1,000,000 from the London banking firm of Hullett Brothers. The agreement was arranged on terms considerably more favorable to Chile than were similar loans by Buenos Aires, Colombia, Peru, and Central America. In 1826 the Chilean Government suspended payments. For five years after 1826 the British Government repeatedly refused to support the claims of the bondholders, which it held to be entirely private in character, although it permitted the British consul general at Santiago to relay communications of the bondholders to the Chilean Government. In 1832, however, the British Government adopted an attitude strongly condemnatory of Chilean policy, but at no time did it go beyond verbal protest. Until June, 1836, however, the Chilean Government made almost no gesture to break the impasse with the bondholders. The position of the Chilean Treasury had by that time considerably improved as the result of reforms by its director Manuel Renjifo; and it was decided to dispatch a commissioner to England to enter into conversations with the bondholders. Francisco Javier Rosales, Chilean Consul General at Paris, was appointed to serve in this capacity. After six years of intermittent negotiations an agreement was reached on 9 June, 1842, between representatives of the bondholders and Rosales providing for a new bond flotation of £934,000 in liquidation of the principal of the loan of 1822. In the following year interest on the loan of 1822 was capitalized at £756,500 in an additional bond issue. This settlement was thus brought about by direct negotiations between the bondholders and Chilean official representatives. In the subsequent history of Anglo-Chilean finance no evidence exists to indicate that the British Foreign Office in any way attempted to assist British financiers in their promotions. Until 1931 the Chilean Government did not again completely default on its foreign debt, although it suspended amortization payments during the War of the Pacific; occasions for official protest were therefore practically non-existent. Nor was the unofficial guardian of British financial interests abroad in the four decades preceding the World War--the Corporation of Foreign Bondholders--

called upon to protect British investments. Nevertheless British loans abroad provide evidence of the fact that, in the main, British foreign investment was in accord with national interest, for British capital went primarily to those areas from the development of which Britain hoped to benefit most. The varied uses of Chilean foreign loans in the development of Chilean economic life ultimately were of value to Great Britain apart from their immediate return, owing to the close commercial and other economic bonds between the two countries.

Mining.--Despite the importance of the Chilean mining industry investments of British capital were not important in the development of the industry as a whole between 1850 and 1914. Investments in coal, for example, were not impressive; only one British company figured in the coal industry. This company, the Arauco Company, founded in London in 1885 with an initial capital of £500,000, produced eleven per cent of the Chilean output in 1915. During most of the century the development of the Chilean copper industry was primarily that of native enterprise and domestic capital. Greatest relative British participation in the Chilean copper industry was probably in the 1860's, at which time British capital invested in Caldera totaled 4,739,000 pesos--a sum greater than that of any other foreign country and almost all of it in copper. In other parts of the Province of Coquimbo, particularly around Copiapó and Chañaral, British copper investments were also considerable at this time; thereafter, however, they declined in comparison with those of other countries. At the end of the World War British investments constituted only 1.57 per cent of the total capital in the industry.

In the development of the borax and nitrate industries British capital was of greater relative significance. The borax industry probably came under the control of British capitalists more nearly completely than any other Chilean industry. In 1887 Chilean borax production took primacy in the world and since that time Chile's position has been assured. In 1898 the Borax Consolidated Company was formed in London to exploit the beds of Ascotán in Antofagasta. Approximately £130,000 was invested in the Ascotán area at that time; subsequently these investments were increased and Chilean production came to be controlled almost entirely by British capital. Production of the company has varied; it was 50,225

metric tons in 1914; 6,603 metric tons in 1918; and 17,541 metric tons in 1921. The ports employed have been Mejillones and Antofagasta.

The greater part of British capital invested in Chilean mineral production has been in nitrates. The nitrate producing areas of Chile were largely acquired in the War of the Pacific. British capital was not relatively of great importance in the development of nitrates in these areas prior to their acquisition by Chile. In Tarapacá British-owned máquinas produced 700,000 in a total output of 3,200,000 quintals between 1870 and 1872. Prior to the forced liquidation of foreign salitreras in Peru British capital controlled less than fourteen per cent of the establishments. Pioneers in British nitrate investments in Chile were John Thomas North and Robert Harvey who during the War of the Pacific purchased certificates giving them ownership of several important nitrate establishments, including the Primitiva, Peruana, Ramírez, Buen Retiro, Jaspampa, and Virginia oficinas. Nevertheless, prior to 1888 British capitalists seemed reluctant to invest large sums in nitrate production. In that year and the following one a large number of plants were acquired by English joint-stock companies; fourteen oficinas in Tarapacá and six salitreras in the Sur del Loa were sold in London to companies organized with the object of acquiring these properties. English joint-stock companies operating or planning operation of nitrate oficinas in Tarapacá had a total subscribed capital of £1,645,000 on 8 February, 1889.

In 1895 they produced 59 5/8 per cent of Chilean nitrate exports and in 1901 the forty-eight British oficinas then in operation produced 20,184,000 quintals. Twelve German, eleven Chilean, and eight Spanish oficinas produced approximately seventy per cent as much.

The tendency in following years was one of relative British decline and increase in the percentage of domestically owned companies. In 1907, 15,396,258 quintals, or 40.686 per cent of Chilean nitrate exported, were yet mined by British companies. After 1909 they lost their primacy. In 1911 Chilean companies produced 31.02 per cent of the quantity exported; British interests, only about 25.07 per cent. In 1914, £28,000,000 were invested in the nitrate industry, of which £11,000,000 were British.

Thus, despite the fact that mining has been the principal source of Chilean wealth, British investments in Chile were primarily placed in other industries. In 1909 less than one-fifth of British capital in Chile was invested in nitrates; investments in the exploitation of other minerals were small. (This situation may be contrasted with American investments which were estimated at \$225,000,000 in 1918, of which seventy-five per cent, or \$170,000,000, represented the capital of two companies established to mine Chilean copper--the Chile Copper Company and the Braden Copper Company.) To the preference of British investors for investment in industries other than mining, fluctuations in output of mines and return from them contributed; other fields also offered greater possibilities of consistent returns and were thus generally more attractive.

Railroads.--After governmental bonds the bulk of British investments in Chile were in railroads. In 1842 William Wheelwright, founder of the Pacific Steam Navigation Company, conceived a plan for the construction of a railroad between Santiago and Valparaíso. Although the plan did not materialize at that time, it marked the inauguration of interest in Chilean railroad construction. Although Wheelwright's first efforts in Chilean railroad development failed, his name is inextricably linked with the Caldera-Copiapó railroad--the first important railroad opened to traffic on the South American continent--which was completed in 1852 and provided an outlet for the mineral production of the Copiapó region of Atacama.

British interest in Chilean railroads was not marked, however, until the 1880's. Four railroads absorbed the bulk of British railroad investments during the remainder of the century: The Antofagasta (Chile) and Bolivia Railway, the Nitrate Railways, the Taltal Railway, and the Chilean Transandine Railway. Other railroads in which British capital was particularly interested included the Carrizal and Cerro Blanco Railway, the Ferrocarril de Cía Carbonífera Industrial de Lebu (Lebu a Los Sauces Railway), the Arica and Tacna Railway, the Arica-LaPaz Railway, the Ferrocarril de Topopilla al Toco, the Chilean Eastern Central Railway, and lines operated by the Arauco Co. In 1913 British capital to the amount of £20,462,219 was invested in Chilean railroads. In 1912 privately owned Chilean railroads were valued at 249,972,449 pesos;

of this total investment, 229,938,968 pesos, or approximately ninety-six per cent, was capital of companies controlled by British capitalists. In 1912 fourteen-hundred per cent more British than domestic capital was invested in Chilean privately owned railroads. Seventy-six times more British capital was so invested than all other foreign capital. Fifteen years later of 1,006,831,215 pesos invested in Chilean private railroads, more than three-fourths was British (782,783,984 pesos). Capital investment of North Americans was only six per cent of that of British nationals in Chilean privately owned railroads at that time.

Telephones and telegraphs.--Smaller quantities of money were invested in Chilean telephonic and telegraphic communications. On 28 June, 1889, the Chili Telephone Company was established in London with an authorized capital of £250,000 in 50,000 shares. This company has been by all odds the most important supplier of telephonic service in the country. In 1920 seventy-nine per cent of all telephone property in the country was its property and eighty-one per cent of all telephone subscribers were its patrons. In 1864 the first step was taken toward British participation in Chilean telegraph service when the India-Rubber, Gutta-Percha, and Telegraph Works Co. was founded in London. Its Chilean concessions were, however, all transferred to the West Coast of America Telegraph Company on 5 November, 1877, which had been incorporated in 1876 with the object of operating cables between Valparaíso, Callao, and Lima and of establishing communications between the latter city and points on the system of the Western and Brazilian Telegraph Company. In 1920 the physical property of the West Coast of America Telegraph Company was valued at 6,102,000 pesos, representing slightly more than half of all the telegraphic equipment in the country. In number and value of telegrams transmitted it was surpassed, however, by All America Cables, an American company, and the Telegrafo Comercial with its principal office at Santiago.

Banking.--The development of Chilean banking was also connected with the export of British capital. Until 1888 the Chilean banking business was based almost entirely upon domestic capital. All banks in the country were stock companies organized either by Chilean capitalists or by foreign residents. In that year, however, the Bank of Tarapacá and London was organized by a

group of British capitalists engaged in nitrate exploitation with the object of facilitating their operations in Tarapacá. Although the Chilean revolution of 1891 adversely affected the bank as did recurrent crises in the nitrate industry, the bank made progress and extended its operations to other South American countries. The profit balance in 1900 was approximately three times the quantity in 1890. In 1907 the authorized capital was put at \$12,500,000, and the name of the institution was changed to the Anglo-South American Bank--as it is known at present. By 1914 it had \$8,448,000 in cash on hand and at call, representing an increase of almost nine hundred per cent over the figure in 1890. One other British bank operated in Chile--the London and River Plate Bank. This institution, established in 1862 under the name of the London, Buenos Aires and River Plate Bank with a capital of \$2,500,000, was the first British bank in South America and one of the most successful of all financial institutions on the continent. During the first thirty years of its existence its operations were confined to Argentina and Uruguay, but it subsequently operated in Rio de Janeiro, São Paulo, and finally in Valparaíso. A plan to open a branch in Santiago was abandoned because of the outbreak of the European War of 1914. The bank was much less important in the financial history of Chile than the Anglo-South American Bank and at the end of 1914 its paid-up capital in Chile was only one-half that of the Anglo-South American Bank and its deposits not more than one-third those of that institution.

These two institutions were the only British banks operating in Chile in the period preceding the World War, for British banks carrying on business primarily in the United Kingdom refrained from opening agencies or branches in Chile because of the existence of these specialized institutions which had been organized to handle financial problems and to meet the requirements of specific areas. A close relationship to industry at home characteristic of many German South American banks was not typical of their operations.

The British banks were obliged to face serious competition from institutions controlled by domestic and by German capital; for example, in December, 1914, the deposits of the Deutsche Ueberseeische Bank amounted to \$6,300,000; those of the Bank für

Chile und Deutschland, \$2,725,000; and those of the Deutsch-Südamerikanische Bank, \$820,000. The total for the three German institutions, however, was only seventy-two per cent of that of the two British institutions (\$13,550,000). Deposits of the Banco de Chile were \$36,980,000 in 1914; those of the Banco Español de Chile, \$12,150,000; and those of the Banco Nacional, \$4,450,000. Twelve other domestic banking institutions operated in Chile at this time. Thus domestically owned banks were of greater importance in Chilean finance than the British institutions.

The separation of diplomacy and investments.--Apart from details of the expansion of British investments in Chile the process well illustrates the absence of attempts to influence the general course or character of British investments by the Foreign Office and British diplomatic representatives. The separation of the spheres of action of diplomacy and investments observed in regard to Chilean governmental loans made in Great Britain was no less characteristic of the employment of British capital in the development of Chilean railroads, telephonic and telegraphic communications, insurance, and banking. Influenced during most of the century by the traditions of laissez-faire, the British Government paid little attention to the political implications of the Chilean investments of its citizens. No attempt was made in Chile by British diplomatists, as judged by available evidence, to direct economic expansion for political purposes. Separation of diplomacy and economic penetration was generally assumed to be the best policy. That the success of British investors in Chilean industrial finance would have been increased with active diplomatic assistance is improbable. The greater volume and diversification of British investments in Chile probably attest not only to the greater quantity of capital available for export from the United Kingdom, but also to the applicability of the practice of laissez-faire to Chilean conditions in the nineteenth century.

Commerce

British exports.--The exports of the United Kingdom to Chile eclipsed those of any other country. As early as 1817 approximately half of Chilean imports came from Great Britain, and no serious modification of this situation took place in the

succeeding half-century. In 1865 the United Kingdom supplied forty-four per cent of Chilean imports and in 1875 after a temporary recession during the Chilean War with Spain the percentage was forty-five per cent; in fact, not until 1895 did a downward trend in the relative importance of Great Britain as a source of Chilean imports begin. By 1908 the United Kingdom supplied only thirty-one per cent of Chilean imports. Germany furnished only sixteen per cent in 1880, but a quarter-century later the percentage was twenty-five per cent. After that time the German position did not markedly improve, and steadily rising American competition indicated that the United States and not Germany would probably be the principal competitor of the United Kingdom in Chilean trade within the immediate future. Nevertheless, after 1908 the industries of the United Kingdom exhibited such competitive strength that no further significant diminution in the relative importance of Great Britain as a source of Chilean imports took place in the pre-war period. In 1913 Great Britain supplied 29.95 per cent of Chilean imports; Germany, 24.59 per cent; and the United States, 16.7 per cent. In 1914 Chile's imports from Great Britain were proportionately greater than Latin American imports as a whole from that country.

In relation to total British foreign trade the Chilean market was approximately twice as important annually to Great Britain in the decade and a half preceding the World War as in the 1880's. This development was part of a general tendency of British exporters to strengthen their Latin American position to compensate for decreased commerce elsewhere. About one and one-fifth per cent of total British exports were shipped to Chile annually between 1900 and 1914, and the value of the average quantity exported exceeded five million pounds sterling annually.

The dominant item in the trade was textiles. In 1828--a not unrepresentative year--Chile imported 13,206,412 yards of British cotton goods--about four per cent of all British exported cotton manufactures entered by the yard in official British trade statistics--but a considerable part of this quantity was reexported. The importance of the traffic was revealed by the fact that in 1850 forty-five per cent of all British exports to Chile were cotton goods; by 1859 the percentage was fifty-five per cent.

The importance of textiles was a reflection of their position in the general export trade of the United Kingdom. In the quarter-century preceding the World War the proportion of cotton goods in Chilean imports from the United Kingdom steadily declined--from forty to about twenty-two per cent--and by 1913 it was evident that heavy inroads into the British cotton trade had been made by Germany, the United States, and France. During the century Chilean importations of British woolen and linen goods greatly increased.

Secondary in importance only to textiles were exports of iron and steel. As early as 1828 one per cent of British shipments abroad of these products were sent to Chile, although reexportations from that country were considerable. In the 1840's alone the value of such exports increased eightfold and within the succeeding quarter-century eight times again. After 1875 no significant change in their relative importance took place, for in the period 1880-1884 they constituted twelve per cent and between 1910 and 1914 thirteen per cent of total British exports to the South American country. Nevertheless their value was £3,843,329 in the latter period as contrasted with only £1,404,620 thirty-five years before. Shipments of machinery specifically, moreover, increased from 3.1 per cent to nine per cent of British exports to Chile during the thirty years.

The strength of the British export trade with Chile was the product not only of general influences affecting all British foreign commerce but also of factors referable to local, specifically Chilean, conditions. British commercial houses operating in Chilean cities were important in the development of Anglo-Chilean trade, and the moral repute of English merchants formed the basis of much of their commercial success. English residents of the country by preferring goods from the United Kingdom also contributed to the volume of Chilean importations from that country. British exporters possessed the additional advantage of the Chileans having become accustomed to English weights and measures. Nevertheless, British commercial relations with Chile presented evidence that British manufacturers failed in many cases to produce articles suited to the specific requirements of the Chilean market and that British exporters were handicapped by their failure to

employ in sufficient numbers well-trained traveling agents with a knowledge of Spanish.

It may be concluded that, as a whole, in the years between 1880 and the outbreak of the World War, the industries of the United Kingdom demonstrated great recuperative and sustaining powers in their export trade with Chile as is abundantly evident from the expansion of such exports despite increasing competition from other countries.

Official policy and the growth of commerce.--Although British trade with Chile increased enormously during the century, the British Government's contributions were not extensive, being limited to negotiating one treaty of commerce. On 21 May, 1831, the Chilean consul at London was instructed to inform the British Government that the new administration of Joaquín Prieto wished to "broaden and regularize" its relations with the maritime powers by means of treaties. At approximately the same time Walpole, British Consul General at Santiago, was empowered to negotiate a treaty of amity, commerce, and navigation with Chile but upon the basis of concessions such as those already obtained from certain other South American governments. The Chilean Government was, however, unwilling to make the commercial concessions which the British Government required in return for recognition. The Chilean Government was unwilling to repeal legislation intended to stimulate native industry to the disadvantage of foreign exports. The Prieto regime ended with no evidence of progress toward a commercial agreement between the two governments. Later, in 1844, the Chilean and British Governments agreed upon the terms of a treaty of friendship, commerce, and navigation. Certain modifications were considered necessary, however, by a group which wished that every treaty of commerce be merely the direct application of general principles of commerce followed by the Republic without far-reaching specific concessions--that Hispanic-American nations should not suffer at the expense of European states. The Chilean Foreign Minister made vigorous efforts to bring about ratification of a convention that would be acceptable to the British Government, but to no avail. A half-decade later negotiations were resumed. On 4 October, 1854, Chilean and British representatives signed a treaty of friendship, commerce, and navigation, providing that re-

ciprocal freedom of commerce should exist between Chile and Great Britain and that all "places, ports, and rivers" in the territory of the one should be open to ships of the other, if not closed to those of a third power. No duties on imports higher than those imposed on imports from other countries were to be levied. A similar provision applied to exports. No distinction was to be made in the determination of duties whether the articles were imported in Chilean or British vessels, and liberal provisions were contained governing the activities of nationals in the territory of the other. The completion of the treaty marked a significant chapter in the politico-commercial relations of the two countries.

Apart from negotiating and signing this treaty the British Government failed to promote commerce with Chile. Indeed, British diplomatic practice in regard to the South American country seems to confirm criticism of the Foreign Office during the Rosebery inquiry of 1886 when it was charged that traditionally British diplomacy was unfriendly, or at best, indifferent to the promotion of commercial interests. The strength of the British commercial position was primarily a result of the intrinsic strength and competitive power of British industry.

Chilean exports.--At the time of the Chilean struggle for independence Chilean exports to the United Kingdom were relatively unimportant, seldom exceeding one twenty-fifth of British exports to Chile. From 1830 to 1880, however, the value and quantity of Chilean exports to Great Britain increased more than one hundred times. According to Chilean statistics Chilean exports in 1860 were valued at 51,648,549 pesos, of which exports worth 40,097,203 pesos were shipped to Great Britain. The United States, the next largest customer of Chile, purchased only six per cent as much. According to these statistics between 1885 and 1900 Chile shipped to the United Kingdom exports valued at 1,658,717,377 pesos or seventy-one per cent of its total exports. Germany, the next largest importer of Chilean exports, purchased approximately fifteen per cent as much. Actually, Chilean official statistics greatly overstated the magnitude of Chilean exports to the United Kingdom prior to 1903, although British statistics were also seriously in error. In 1905, after changes in the methods of compil-

ing Chilean export statistics, Chile shipped to Great Britain exports valued at 101,321,794 pesos, or thirty-eight per cent of its total exports. This value was equivalent to approximately £6,099,463.66, although British import figures place at £5,371,216 the value of importations from Chile in that year, of which goods valued at £4,605,980 were retained in the United Kingdom. In 1912 according to Chilean figures forty-four per cent of Chilean exports were sent to Great Britain with a value of 150,966,173 pesos. This amount was approximately fifty per cent greater than the value of exports to Germany, Chile's next largest customer.

Sheeps' wool, copper, silver, wheat and nitrates were the principal products imported from Chile by the United Kingdom. Until 1829 British importations of copper ore were negligible. Thereafter the Chilean position as a source of supply was assured. The significance of Chilean copper in the economic life of both Chile and Great Britain at this time is further revealed by referring to the total computed real values of these imports. Total British imports from Chile were valued at £1,932,682 in 1858; of this amount eighty per cent, or £1,551,043, was copper. Ore imports totaled £597,412; regulus imports, £699,897; wrought and partly wrought copper, £243,734. The British market occupied first place in Chilean exports of copper in the half-century. In only one year between 1873 and 1883, for example, did the United Kingdom import less than seventy-two per cent of Chile's copper exports. In certain years copper even surpassed nitrates in importance as an export to the United Kingdom. Between 1895 and 1904 in no year were British imports of Chilean copper valued at less than £615,721 (1897).

Nitrates during the three decades preceding the World War were, however, generally the most important item in Chilean exports to the United Kingdom. Between 1891 and 1914 British imports of Chilean nitrates fluctuated between 100,530 tons (1893) and 132,710 tons (1912). Although British importation of Chilean nitrates remained practically constant, Chilean exports of the mineral increased from 734,860 tons in 1889 to 2,464,540 tons in 1914. The relative importance of Great Britain as a purchaser of Chilean nitrates thus steadily declined in the twenty-five years preceding the World War.

Of vegetable products Great Britain was a relatively heavy

importer, for in 1905 Chile shipped to it forty per cent (5,733,862 pesos) of all such products exported. In 1886 the largest quantities of barley and wheat were sent to England, which was also the most important market for Chilean vetches. An analysis of export figures twenty years later reveals that Great Britain was the principal market for Chilean oats, barley, and wheat at that time.

Throughout the period after 1848 the British market was fundamental in Chile's maintenance of a favorable visible balance of trade. Between 1844 and 1898, Chile's total exports were valued at 2,115,343,094 pesos; its total imports, at 1,880,763,411 pesos. During these years the principal sources of its imports were the United Kingdom, Germany, France, the United States, and Argentina. Chile's imports from Germany exceeded exports to that country by 174,615,294 pesos; imports from Argentina were greater than exports to it by 103,497,301 pesos. Similar was the situation in regard to trade with the United States, imports from which exceeded exports by 14,533,462 pesos. Fundamentally a Chilean favorable balance of trade was only possible because of exports to the United Kingdom. Chilean exports to Great Britain exceeded imports from that country by 753,857,779 pesos in the fifty-four years, and in certain exceptional years the value of shipments to Great Britain was almost three times that of imports from that country. Chile paid for its invisible shipments of capital to the United Kingdom in the form of interest and amortization payments on its British debt by exports of large quantities of its products, principally minerals.

Shipping

The strength of the British export trade with Chile had been greatly facilitated by extensive shipping connections between the two countries. During the first two decades of Chilean independence American ships were the most significant competitors of the British in the Chilean carrying trade. In the three-quarters of a century which followed, the tonnage of British ships operating between British and Chilean ports increased approximately 250 times; nevertheless, no preponderance of British ships in the general Chilean carrying trade existed in the 1830's. The subsequent

decade, however, witnessed an increase in the importance of British shipping in Chilean commerce, and in the two decades preceding the American Civil War approximately one-third of the country's carrying trade was in British bottoms. It was that conflict, however, which by almost eliminating American competition provided a significant opportunity for the expansion of British shipping with Chile; by 1864 sixty per cent of the shipping tonnage entering Chilean ports was British. During the 1870's the proportion increased and by 1880, 79.9 per cent of the tonnage of ships which entered and departed from Chilean ports flew the British flag. This high proportion but reflected, however, the contemporary maritime primacy of the United Kingdom, for in 1870 the British mercantile marine exceeded in tonnage the combined merchant fleets of the next five ranking maritime nations. In the quarter-century which followed 1880, competition developed apace and by 1890 Great Britain's proportion of the Chilean carrying trade had declined one-third from that of 1880 despite a considerable increase in actual tonnage. Other foreign shipping tonnage engaged in Chilean trade had increased from 19.4 to 38.1 per cent of the total. Thereafter the proportion of non-British and non-Chilean shipping declined so that by 1904 it constituted only twenty-three per cent of the total. In that year approximately twice as much British as other foreign shipping entered and cleared from Chilean ports; moreover, between 1880 and 1904 the tonnage of British ships which entered and cleared from Chilean ports increased from 1,917,341 to 16,665,387 tons. By the latter year domestic Chilean ships had become the principal competitors of British vessels in the Chilean carrying trade.

The extensive trade and shipping movements between Great Britain and Chile led to the foundation in 1840 of the Pacific Steam Navigation Company. This enterprise has been for an entire century the principal British shipping undertaking on the west coast of South America and, indeed, one of the more important British maritime undertakings. Its development has been throughout inextricably interwoven with the economic evolution of Chile.

In 1835 William Wheelwright, an American ship captain, proposed to the President of Chile that he be granted an exclusive concession for ten years to establish a steamship line between Chilean ports and rivers open to cabotage. The proposal was ac-

cepted by the President and sent to the Senate with his recommendations. The projected monopoly was ratified by that body and by the Chamber of Deputies without alteration in July, 1835. By decree of 12 September, 1836, Santa Cruz granted Wheelwright essentially the same privileges in the ports and on the coasts of Peru, and he later extended the privileges to the ports of Bolivia.

Not inconsiderable interest had already been shown by British officials and merchants in steam navigation on the west coast of South America. Early in 1836, Consul General Walpole was instructed by his government to secure information in regard to the conveyance and distribution of correspondence from England to the ports south of Panama with existing facilities. Public meetings of British merchants and residents at Lima and Callao later in the year strongly recommended to their government the opening of direct communications between Great Britain and the West Coast. In 1838 Wheelwright was in England to secure capital for his projected company. Considerable support was not long forthcoming. The London Times, the Morning post, the Morning chronicle, and the Railway times published articles supporting the proposals. Moreover, P. C. Scarlett, a young English traveler who had recently returned from South America, published at that time a book, South America and the Pacific, in which he discussed, among other subjects, British maritime connections with Chile and Peru. In a supplementary memorandum directed specifically to the Foreign Office he explained the preeminent significance of Panama, and so similar were his ideas to those of Wheelwright that the latter's Statements and documents, a brochure outlining Wheelwright's ideas, was published as an annex. A charter of incorporation was issued on 17 February, 1840. It differed from all other British navigation company charters of the time in that the vessels to be operated would not touch at any port of the Empire. The capital of the company--£250,000 in five thousand shares--was eventually subscribed, but only a part of it was called up in 1840.

The first ships of the company were launched on 18 April, 1840, and began operations in the same year. The company provided service between Callao and Talcahuano during the first five years of its operations and served the ports of Pisco, Islay,

Arica, Iquique, Cobija, Copiapó, Huasco, Coquimbo, and Valparaíso. In 1845 connections were regularly established between Callao and Panama, and in 1867 between Liverpool and Valparaíso. Late in 1850, the Chilean Congress rejected a resolution for an extension of the monopoly and, early in the following year, took steps toward a liberalization of Chilean maritime legislation by legalizing the participation of foreign steamships without significant restrictions in cabotage and in trade between Chilean and foreign ports. The Pacific Steam Navigation Company was by this time, however, sufficiently well established to meet any requirements that might be imposed by competition. Despite temporary difficulties the Pacific Steam Navigation Company continued its expansion during the late nineteenth and early twentieth centuries. Contracts providing for handling Chilean mail, carrying military officers and civil officials, and giving other services to the Chilean Government signed between the government and the company were approved by Chilean decrees of 26 January, 1887, 30 March, 1890, and 2 January, 1894. In 1894, eighteen ships were engaged in coastwise service and eight over 3800 tons in communications with Liverpool. In 1902, thirty-eight ships of the company operated on the Chilean coasts. The total tonnage of ships of the company was 132,461 tons in 1898.

The principal competitors of the Pacific Steam Navigation Company were the Kosmos Company with fifty-six ships in 1908, a German company with Hamburg as the home port, and the Chilean Compañía Sud-Americana de Vapores. At that time seven other foreign shipping companies competed for Chilean business; they employed two hundred ships with a displacement of more than 100,000 tons.

To meet this competition and more particularly that which was considered likely to develop from the opening of the Trans-andine Railway, this company and the Royal Mail Steam Packet Co. decided upon amalgamation in June, 1910. Passenger service between Southampton and Buenos Aires was largely controlled by the latter company. Officials of the Pacific Steam Navigation Co. were apprehensive that much of their business would be diverted to the Royal Mail Steam Packet Co. by the railroad, and the directors decided that the solution to the difficulties of both compa-

nies lay in amalgamation under the Royal Mail Steam Packet Co.

At the end of the war of 1914-1918 the combination of important companies which grew from this amalgamation was one of the principal maritime organizations in the world, the five leading companies of which alone possessed a gross ship tonnage of 1,400,000 tons. The Pacific Steam Navigation Co. itself played a role of importance within the larger framework. Ships of the company in 1923 accounted for nearly two-thirds (223,000 net tons) of all passenger shipping which entered the United Kingdom from the Pacific coast states of South America. The greater part of the traffic passed through the Panama Canal, although bimonthly mail and less frequent cargo service were maintained through the Straits of Magellan.

The significance of the Pacific Steam Navigation Co. for British economic and political interests was understood by the London Government as early as 1845 when a mail subsidy of £20,000 annually was granted despite the fact that the company's ships did not at first touch at ports of the British Empire. Without this subsidy continued operations of the company would probably have been impossible. Moreover, a second contract was made with the British Government in 1850 providing for an annual subsidy of £25,000. By it the directors were required to provide not fewer than six new steamships of not less than 170 horsepower each. Later this number was reduced to four, each of approximately one thousand tons, to provide fortnightly service between Valparaíso and Panama. The subsidies thus given for the carrying of mail illustrate the vision of the Government of Great Britain in promoting its maritime interests, for the initial advantage then gained was an important reason for the primacy of British ships in the carrying trade of the South American Pacific Coast, which has continued since that time.

It is thus clear that official British support given to shipping companies in the establishment and development of maritime communications constitutes a partial exception to general practices of laissez-faire by the British Government in regard to the economic interests of its nationals in Chile in the nineteenth century. Further evidence of this fact is that in the years 1849-1852 Anglo-Chilean negotiations were undertaken to strengthen by treaty British maritime connections with Chile. On 7 May, 1849,

the British Consul General at Santiago explained legislation pending in the British Parliament for the repeal of the Navigation Acts and later Stephen Henry Sullivan, British chargé d'affaires, delivered the text of the British reforms (22 February, 1850). The attitude of the Chilean Foreign Minister after reading the specific provisions of the act was favorable, and the British representative was informed that the Congress would probably modify Chilean legislation in a similar way. The atmosphere at Santiago was thus favorable to the progress of Sullivan's negotiations. On 10 May, 1852, he signed a treaty with Gerónimo Urmeneta, a Chilean representative. By its terms, only such charges of tonnage, harbor, lighthouse, pilotage, and quarantine could be levied by either government in its ports upon vessels of the other as were imposed on national vessels. Chilean cabotage was to be open to British ships--a provision based upon a law of 29 August, 1849. Ratifications were exchanged at Santiago on 10 November, 1852.

The General Relationship between British Diplomacy and Economic Expansion

In perspective it is evident that the British Government did not attempt to influence or to direct the employment of capital in the development of Chilean railroads, telephonic and telegraphic communications, insurance, banking, or mining. Although British trade with Chile increased enormously during the century, the British Government contributed little to that development. Almost no connection between the export of capital in the form of loans and British diplomacy existed except in regard to Chile's default in 1826 on a loan of 1822 and adjustments during and following the War of the Pacific (1879-1884) over Peruvian bonds held by British nationals. Even the history of these negotiations illustrated the reluctance of the British Government to interfere in financial matters. Nor was the unofficial guardian of British financial interests abroad, the Corporation of Foreign Bondholders, called upon to protect investments. A partial exception to the practices of laissez-faire was support given to shipping companies in the establishment and development of maritime communications. Thus the development of British economic interests in Chile, which greatly exceeded those of any other country in the period preceding the World War, took place almost independently of any positive

contributions of the British Government.

Nevertheless, national economic interest was the principal subject of official British activity in Chile, for the protection of trade and investments during wars and domestic upheavals was a matter for constant British solicitude.

Maritime and related interests.--Of first importance was preservation of maritime interests. Without the vigilance of the Royal Navy during the Chilean revolutionary epoch the expansion of British trade would have experienced serious difficulties. During the revolution of 1851 the Royal Navy acted with vigor to protect shipping and commerce: The "Firefly," a small steamship under British registry seized by the revolutionists, was recovered, and a blockade of the revolutionists' port of Coquimbo was maintained for a time owing to interference with British shipping.

Similarly during the Chilean-Spanish war of 1865-1871 the British Government was highly successful in securing a recognition of its maritime rights. In the first month of the war British representatives in Chile refused to recognize a Spanish fictitious blockade of the Chilean coast. Commodore Harvey of the British Navy pointed out that the passages of vessels bound to Chilean ports from Great Britain averaged from 100 to 130 days, that the nearest neutral ports where supplies could be obtained were one thousand miles distant to leeward, and that shipowners, charterers, and consignees were all ruinously affected. The coasting trade carried on under the Chilean flag was at least half neutral property, ship and cargo. British mining interests and British imports from Chile were disastrously affected. The war, he argued, was more unfortunate for neutral commerce than for that of Chile. Seemingly impressed by the extent of British opposition, Admiral Pareja of the Spanish Navy decided to modify his measures. On 27 October Harvey and Pareja signed an agreement designed to mitigate the effects of the blockade upon British commerce. The blockade was limited to ports before which Spanish warships were stationed--Tomé, Talcahuano, Valparaíso, Herradura (Guayacán), Coquimbo, and Caldera. In January, 1866, the blockade was further relaxed. On the arrival of Pareja's successor, Commodore Núñez, at Valparaíso, he notified Harvey that the ports of Coquimbo, Guayacán, and Talcahuano were now open to commerce. Caldera and

Valparaíso were the only ports left under blockade. Soon after, the blockade of Caldera was raised also, and finally on 14 April, 1866, Valparaíso. Thereafter the entire coast was again open to British shipping. The British Government also used its moral influence against Chilean privateering and secured Spanish acceptance of its demands in regard to the establishment of a prize court.

Throughout the Chilean revolution of 1891 the British Government showed marked solicitude for the economic interests of its nationals. Following receipt of information in London that revolution had broken out, the British Government immediately concentrated naval units in Chilean waters. Throughout the following months maritime subjects assumed primary significance in Anglo-Chilean relations. Confronted by revolution, the Chilean Government, as its first measure, decreed on 9 January that it could not assume responsibility for acts committed by the insurgent fleet to interests and rights of foreigners or Chilean nationals. The British Government refused to admit the Chilean position. A presidential decree of 1 April closing ports between Chañaral and Pisagua was protested by the British Government since these ports were in the effective possession of the Congressionalists and the Chilean Government lacked adequate naval strength to enforce the order. Refusal of the Chilean Government to grant clearances for foreign countries unless a written pledge were given not to call at Congressionalist ports was followed in May by a threat of the commanding British naval officer in Chilean waters that he would tow out of Chilean harbors all British and German ships whose masters desired to depart. Under this pressure the Chilean Government yielded ground; and later when it placed restrictions on shipments of coal and provisions the British Government again objected and the Chilean Government countermanded the decrees.

Similarly the British Government acted with vigor to prevent illegal seizure and detention of British ships. The Revolutionary Government was obliged to give satisfaction for the seizure of the "Kilmorey," a ship which when unloading coal at Herradura had had its cables slipped and had been towed to Iquique under a Chilean prize crew, and for forcing another vessel, the "Arica" of the Pacific Steam Navigation Co., illegally into Talcahuano.

The Chilean Government was likewise forced to retreat on the subject of taxation of the nitrate trade. The British Government refused to admit the legality of a decree of 30 January providing that nitrate duties should be paid to it even if already imposed by the government of the opposition. When the Chilean Foreign Minister asked for British cooperation in suppressing the nitrate traffic--the principal source of revenue for the revolutionists--the British Minister refused to transmit the request. Faced by this situation, the Chilean Government abandoned its attempts to impose a tax on exports of the mineral.

British policy toward exportation of war materials provides further evidence of defence of maritime interests. On 9 February, Carlos Antúñez, Chilean Minister to Great Britain, addressed a communication to the British Government to the effect that his government absolutely prohibited, during the state of revolution, the introduction into Chile of "all sorts of war material." The British Government was asked to bring the prohibition to the attention of the competent port authorities, particularly those at Glasgow, Liverpool, and Southampton. The British Government complied with the request and published on 24 February in the London Gazette a general notification to this effect. Its attitude was in accordance with the recognized comity of nations. When, however, later (19 February) W. R. Cruickshank, Chilean Consul at Glasgow, informed the collector of customs at that port that all vessels clearing for Chilean ports must have their manifests viséd by him, the British Government refused to consider the demand. The Board of Customs in London informed him that it would be impossible to permit the inspection of the manifest of any ship, or any other specifications of cargo, and that his information in this regard could only be obtained on application to the Bill of Entry Office. The Chilean Minister was obliged to admit the British contention. Specific solicitations to check the traffic in munitions and implements of war were also rejected.

In retrospect, it is clear that the main subjects occupying the attention of the Chilean and British Governments were the exportation of arms to the revolutionists, the blockade of revolutionary ports, and finally duties on nitrate exports. On none of these points were Chilean contentions or policy successful in

the face of British opposition. Throughout the crisis a resolute defence of the economic interests of its nationals in Chile had been carried on by the British Government. Thus throughout the crises of Chilean development in the nineteenth century maritime and related interests of the United Kingdom were resolutely defended and the Chilean Government, as well as its opponents, was repeatedly obliged to yield to British demands.

Claims.--Demands for compensation and reparation were prosecuted with Palmerstonian vigor after various losses by British subjects during the Chilean revolution of 1859, although later all but the claim of John Whitehead who had suffered injuries at Valparaíso were abandoned because of their tenuous nature. For more than two years the British charge d'affaires at Santiago made repeated and very emphatic demands upon the Chilean Government for the satisfaction of Whitehead's claims. In March, 1863, a rumor gained wide currency in the Chilean capital that the admiral commanding British naval forces in the Pacific had received instructions to insist upon the immediate payment of the Whitehead claim and that in the event of Chile's refusal to do so extensive naval measures would be taken against the country. Later, however, the British Government withdrew its demands after Whitehead had renounced his claims not improbably under pressure from British mercantile interests at Valparaíso adversely affected by the crisis in Anglo-Chilean relations.

A similar incident was the "Tacna" case. On 8 March, 1874, this vessel, a steamer of 322 tons of the Pacific Steam Navigation Company employed in trade north of Valparaíso, capsized some nine miles off shore with the loss of nineteen lives--a disaster due primarily to excessive and careless loading of the cargo. This event, although of no great intrinsic political importance, became the subject of extensive diplomatic conversations between Great Britain and Chile. The master of the ship, John Hyde, who was vigorously criticized for his handling of the ship and was held responsible for the loss of life, was a British subject. After a Chilean investigation of the disaster Hyde was permitted to sail for England, but upon the arrival of the ship on which he was sailing at Lota, he was put in irons, transported to Valparaíso, and lodged in the common jail. In the negotiations

which grew out of this incident the British Minister, Sir Horace Rumbold, exhibited readiness to compromise in order to effect a settlement. The Chilean Government's refusal to release Hyde led Rumbold to adopt a strong attitude and to threaten to leave the Chilean capital if the prisoner were not released. Hyde was freed and it was found possible to arrange a private settlement with him providing for compensation. Therewith the incident was closed.

During the Chilean war with Spain the British Government made unsuccessful efforts to avert a bombardment of Valparaíso. At that time more than fifty British mercantile establishments owned property in the city and neutral goods reaching a probable value of 30,000,000 pesos were deposited in the city. In November, 1865, William Taylour Thomson, the British chargé d'affaires, succeeded in gaining the approval of the Chilean Government to a removal of British goods from bonded government warehouses likely to suffer in case of bombardment to safer locations. The merchants refused to avail themselves of the opportunity. In January, 1866, it was rumored that the Chilean Government was to employ torpedo boats against the Spanish fleet. Thomson and Admiral Denman of the British Navy called upon the President of Chile and warned him of the danger to unfortified Chilean towns that would result from Spanish retaliation, if torpedos were employed against Spanish ships in the harbor. Throughout March, 1866, British naval and diplomatic representatives made vigorous efforts to prevent bombardment of the port. They counselled the Chilean Government to accept peace on the basis of terms proposed by the British and French Governments. Their efforts were unsuccessful, for on 31 March, the Spanish squadron bombarded the city for three hours with considerable loss to British merchants.

Mediatory Efforts.--Chile's wars clearly affected British economic interests in many ways. At such times it was a British object to secure the restoration of peace, and to that end the British Government offered to mediate on several occasions. During the Chilean struggle for independence it made efforts to that end particularly in negotiations in 1814. During the Chilean war with the Peruvian-Bolivian Confederation of Santa Cruz it tendered its good offices to the belligerents with a view to an alleviation of serious repercussions of the war upon British commerce. In 1837 the British Government attempted to bring about a cessation

of hostilities, but without success. In November, 1838, British mediatory efforts were renewed. At Huacho the British chargé d'affaires accredited to the Government of Santa Cruz, Bedford Hinton Wilson, met a Chilean representative and presented to him proposals of Santa Cruz which included an equalization of the maritime and land forces of the belligerents and assurances by Chile that in the future no differential customs duties would be charged. Important discussions followed, but bases for an agreement were lacking and the negotiations were terminated. Similarly, concern for investments and commerce prompted extensive diplomatic efforts to effect a cessation of the Chilean-Spanish war of 1865-1871. In December, 1865, the British Government composed a memorandum containing suggested bases for a settlement, but after the Chilean seizure of the "Covadonga," a Spanish warship, the Spanish Government withdrew its acceptance. Again in March and November, 1866, and in January, 1867, the British Government renewed its attempts, but the efforts failed because of the unwillingness of the belligerents to make concessions on questions of prestige. To the countries involved in the War of the Pacific the British Government likewise made unsuccessful offers of mediation in April, 1879, and March, 1881. A mediatory attempt during April, 1891, was also unsuccessful, primarily because of the known sympathy of the British Government for the revolutionists.

British efforts to reduce the severity or to effect the cessation of Chilean conflicts during the century were thus largely fruitless. The British failures must be attributed to the character of the specific conflicts, to the paramount importance of questions of prestige in Latin American diplomacy, and to the refusal of the British Government to resort to intimidation or force to realize its ends.

One may conclude that the role of British diplomacy in relation to Chile during the nineteenth century had as a whole been confined to the protection of investments and trade in periods of war and of internal strife: its function was thus to defend rather than to promote economic interests and likewise to bring about the return of economic normalcy. Although certain exceptions to this observation may be remarked, they merely make

more vivid by contrast the policy of the period. That the extent of British economic penetration in Chile prior to 1880 would have been increased by active political support is improbable, since serious foreign competition was largely absent and the attitude of the Chilean Government was generally favorable to British interests. It is, however, likely that the ability of British nationals to meet the serious German and American threat in the three decades preceding the World War would have been improved by greater official support. So extensive were Britain's investments in Chile and so great its commerce that the history of the economic relations of the two countries in the period reviewed must be considered as a whole to constitute evidence proving the applicability of British practices of laissez-faire to Chilean and general South American conditions in the nineteenth century. Indeed, the history of British relations with Chile provides evidence that a preponderant position in the economy of a country may be acquired without the use of diplomatic pressure, the expense of political control, or the slightest compromising of national dignity, to the benefit of both parties and to the strengthening of mutual respect and confidence.

A Note on Sources

Of collections of unpublished documents the diplomatic dispatches of the United States Department of State are valuable although much of the material for the years preceding 1860 has been published in William R. Manning's Diplomatic correspondence of the United States concerning the independence of the Latin American nations (Volumes II and III) and Diplomatic correspondence of the United States. Inter-American affairs, 1831-1860 (Volumes V and VII). Dispatches of American special agents in Chile prior to 1830 are of particular value for understanding political as well as economic conditions. For the period after 1861 Papers relating to the foreign relations of the United States (Foreign relations of the United States after 1869) is available. Utilization of the archives of the British Public Record Office has been impossible since September, 1939, but most of the pertinent documents of the Foreign Office have been published in Britain and the independence of Latin America by C. K. Webster. A catalogue of relevant dis-

patches has been compiled by Juan Luis Espejo, a Chilean investigator. The official Memorias of the Chilean Ministerio de Relaciones Exteriores--the Chilean counterpart of Foreign relations of the United States--which have appeared annually for more than a century are the most generally satisfactory collection of documents available for writing the history of Anglo-Chilean relations. British parliamentary bluebooks dealing with Chilean problems have been few. One concerning the Chilean revolution of 1891 was published in 1892 (Correspondence respecting the revolution in Chile) and a volume entitled Correspondence respecting the war between Chile and Spain which was concerned with the Anglo-Chilean war that began in 1865 appeared in the following year. The British and foreign state papers are also useful. A large number of diplomatic dispatches, instructions, and other communications have been published in Alberto Cruchaga Ossa's Jurisprudencia de la cancillería chilena.

Of lesser value for diplomatic history are publications of legislative documents. For the years prior to 1846 the Diario de documentos del gobierno, Sesiones de los cuerpos legislativos, and Gazeta ministerial de Chile are available. For subsequent years El araucana (from 1830 to 1877) and the Diario oficial (after 1877) are the Chilean official legislative publications. Hansard's parliamentary debates (through 1868) and the Parliamentary debates (after 1868) contain interpellations and replies on subjects of diplomatic and economic interest.

Several unofficial collections of Chilean documents of diplomatic interest have been published including the eminent Chilean historian José Toribio Medina's Colección de historiadores de Chile y de documentos relativos a la independencia de Chile. José Ignacio Zenteno's Documentos justificativos sobre la expedición libertadora del Perú contains documents bearing upon the British reaction to Lord Cochrane's blockade of Peru in 1820. Guillermo Feliú Cruz has published the letters of Diego Portales who was virtual dictator of Chile between 1830 and 1837. Ricardo Donoso's Antonio José de Irisarri, escritos polémicos consists of Irisarri's defence of his negotiations in London which culminated in the loan secured in 1822 by the Chilean Government. For the War of the Pacific Pascual Ahumada Moreno's Guerra del Pacífico consists of

official documents, many from the Peruvian archives, and excerpts from Chilean, Peruvian, and Bolivian newspapers. For the period April-August, 1879, the Correspondencia de don Antonio Varas sobre la guerra del Pacífico, actas del ministerio Varas-Santa María is useful. Negotiations carried on in Europe by representatives of the revolutionary Iquique Government have been related in Augusto Matte and Agustín Ross' Memoria presentada a la exma. junta de gobierno. Texts of Anglo-Chilean treaties are contained in Aurelio Bascuñán Montes' Recopilación de tratados y convenciones and the Colección de tratados celebrados por la República de Chile, as well as in British and foreign state papers and the Parliamentary papers.

Not a few non-Chilean and non-British collections of documents have appeared. For the war with Spain (1865-1871) there are the Spanish Government's Documentos diplomáticos presentados a Las Cortes, 1865 and the Bombardment of Valparaíso--indispensable for understanding British efforts to prevent the bombardment of Valparaíso which took place on 31 March, 1866. The Peruvian Government in 1867 issued Correspondencia diplomática relativa a la cuestión española. For the revolution of 1891 the German Government has made available many select documents in Los acontecimientos en Chile.

Sources for Anglo-Chilean economic history are varied. The Estadística comercial de la República de Chile has appeared at intervals and is a fundamental repository of information; of it the Sinopsis estadística de la República de Chile is an abridgment. The most satisfactory presentation of investments in the coal industry is the Comisión del Carbón's Problema carbonero (1923). Statistics on investments and trade in nitrates are in the Asociación Salitrera de Propaganda's Circular trimestral which has appeared since 1894. Henry English's A general guide to the companies formed for working foreign mines contains prospectuses of companies formed to develop Chilean mining during the British speculative frenzy in 1824 and 1825. Three important contributions to the early history of the Pacific Steam Navigation Company are available: William Wheelwright's Statements and documents; First report of the directors of the Pacific Steam Navigation Company; and Publicaciones varias en favor de la conser-

vacación de la línea de vapores. The English economic journal Economist and the South American journal and Brazil and River Plate mail are invaluable particularly for British investments in Chile. Of American official publications the Department of State's Special consular reports and the Department of Commerce' Special agents series and Trade promotion series are useful for understanding trade conditions and investments particularly in the Valparaíso, Iquique, and Santiago areas. British white papers, particularly the "Annual statements of the trade of the United Kingdom with foreign countries and British possessions," are, however, the basic statistical source for details of Anglo-Chilean commerce. Details on Chilean loans floated in Great Britain prior to 1900 are contained in the Resumen de la hacienda pública de Chile published by the Dirección Jeneral de Contabilidad. Materials bearing upon the loan of 1822 are contained in the Breve esposición que Portales, Cea y Cía hacen a los señores de representación.

Of secondary works the most valuable are Diego Barros Arana's Decennio de la historia de Chile (1841-1851), Historia jeneral de Chile, and Historia jeneral de la independencia de Chile; Luis Galdames' Estudio de la historia de Chile (various editions); Claudio Gay's Historia física y política de Chile; Daniel Martner's Estudio de política comercial chilena; Ramón Sotomayor Valdés' Historia de Chile durante los cuarenta años transcurridos desde 1831 hasta 1871 and Historia de Chile bajo el gobierno del Jeneral D. Joaquín Prieto; and various works by Benjamín Vicuña MacKenna.

